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SAARON

30 January 1967

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MEMORANDUM FOR THE RECORD

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SUBJECT: A Report on a Series of Meetings with
Department of the Treasury Officials

Prior to the series of meetings reported on below, the writer had been alerted to the fact that the Long Committee was resubmitting a list of questions about wire tapping and related matters to the Department of the Treasury. [redacted] of my staff had gotten a call from Henry Giordano, Commissioner of the Bureau of Narcotics, telling him that the re-inquiry being made by the Long Committee especially applied to the Bureau of Narcotics and to the Bureau of Customs. At that time he told [redacted] that he did not expect that any of our activity would come up but that he was alerting us just in case. At that point, the writer informed the ADDP and, at his request, [redacted] of the [redacted] of this information. Also, a short memorandum was sent to the ADDP on this matter. The series of meetings reported on below happened in the week following the acquisition of this information.

I. FIRST MEETING

On Monday, January 23, the ADDP and the writer at the request of the Director, met a group of Treasury Department officials including Under Secretary Barr, Assistant Secretary True Davis, Mr. Acheson, Mr. Smith (the General Counsel) and Mr. Acheson's Deputy, Mr. Tony Lapham. This meeting had been set up on the basis of a call from Under Secretary Barr to the Director. Mr. Barr opened the meeting by explaining to us something of the background of the previous Long Committee hearings which had concerned mostly the Internal Revenue Service and described for us



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the present resubmitted request by the Long Committee for the completion of an inquiry form concerning wire tapping, which the Treasury Department had previously refused to fill out and submit. The basis of their previous refusal had been that some of their activities under question were done in conjunction and in collaboration with the CIA and other government agencies involved in national security matters. In other words, the Treasury Department had refused to fill out the form on the basis that they could not feel free to divulge these sensitive matters to the Committee. In their present request the Committee acknowledged the inadvisability of bringing in these sensitive matters relating to national security but insisted that they could be readily separated from the Department of Treasury criminal law enforcement activities, and the Committee was therefore re-requesting the information. We mentioned to the group that the only relationships we could recall were some very old ones whereby some audio equipment had been loaned to the Bureau of Narcotics agency for tests, which had been returned to us. We also mentioned an audio tech name [redacted]

[redacted] who had resigned from the Agency in approximately 1955 and who had accepted employment with the Bureau of Narcotics. At this point, an allusion was made by Under Secretary Barr to the fact that there had apparently been audio equipment purchased for CIA activities using the Department of Treasury as the apparent purchaser. We replied that we had not realized that this kind of arrangement was the center of their current concern, but that it was quite possible that such arrangement had been made, and that we would look into this corner of things and report back to them further.

II. SECOND MEETING

At 0930 hours on Tuesday morning, January 24, the ADDP and the writer met with Mr. Smith, the General Counsel of the Treasury Department. We passed on to him information which we had accumulated the previous day as follows:

- A. In the period 1952-1954, we had purchased through the Alcohol Tax Unit of the Internal Revenue Service some \$20,000 worth of equipment which comprised several [redacted] and associated automatic [redacted] equipment.

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B. In 1964 we had given to the Bureau of Narcotics, at no cost to them, \$20,000 worth of audio equipment consisting of ten SRR-4 receivers and four SWM-3 microphones.

At this point, Mr. Smith said that he wanted to be very frank with us in respect to several matters that had been mentioned to him by the Commissioner of Narcotics and some of his people. Mr. Smith then mentioned the fact that he had heard CIA was using the Bureau of Narcotics as a "front" for their domestic operations, as a way of getting around jurisdictional troubles with the FBI. He also had heard that the Bureau of Narcotics maintains a "laboratory" for us on the West Coast. We told him that there was absolutely no substance to either of these allegations and especially emphasized that we conducted all of our activities overseas and had no charter for activities in the United States. In a response to the question from Mr. Smith, we indicated that when some of our activities do have a corner in the United States we coordinate very carefully with the FBI. Mr. Smith expressed some puzzlement over our reactions to what he had heard from the Commissioner of Narcotics, and indicated that he would have to have another meeting with him to try to straighten the matter out.

III. THIRD MEETING

After getting the Director's approval at our briefing of him at noon on Tuesday, January 24, the writer made an appointment to see Mr. Giordano, Commissioner of the Bureau of Narcotics, and visited with him on Tuesday afternoon. The conference consisted of only the writer and Mr. Giordano, with no one else present. It was explained to him that there had apparently been some misunderstanding by Mr. Smith about the relationship between the Bureau of Narcotics and ourselves and that the writer did not want to see Mr. Giordano be put into a difficult position with his own people, especially insofar as it concerned the former useful collaboration between our two agencies. After some discussion, Mr. Giordano explained that Mr. Smith and his colleagues

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had apparently misunderstood some of the statements he made to them. He said that Mr. Smith had confused the overseas cover which the Bureau of Narcotics supplies to us with "using the Bureau of Narcotics as a front for our activities in the United States". He also said that he had never mentioned any "laboratory" to Mr. Smith and that someone in that meeting had probably mistook the word "pad" for the word "lab". The writer indicated that it would be very helpful if Mr. Giordano would put these matters right when he next talks to Mr. Smith. The writer then asked him where he felt there were any problem with our previous arrangement that came within the purview of the Long inquiry. Mr. Giordano said the people with whom we had been dealing previously in setting up the arrangements both on the East and West Coast had, with our money, apparently purchased an indeterminate amount of eavesdropping and other surveillance equipment. He said that the Long investigation had produced evidence of these purchases from the companies that had sold the equipment to our collaborators, and that the Bureau of Narcotics had no records in their headquarters of the purchase of such equipment, and could not, even if they wanted to, provide the Committee with the information that was being asked for about this equipment.

The writer reminded Mr. Giordano that the arrangement with them had always involved the use of our funds strictly for their operations only and for matters that were of operational interest to them. The writer reminded him also that the two "pads" had never been used for anything except for their own activities. Mr. Giordano indicated that he did not, as the writer did not, know about the purchase of audio equipment and that he had some concern about the details of our arrangement coming out in some tangential way if actual hearings were held by the Long Committee. When I asked him what he understood these details to be, he indicated that when he became Commissioner he was "only generally briefed on the arrangement, gave it his general blessing and said he didn't want to know the details". However, several times during the discussion he made remarks which indicated that, in

fact, he was aware of some of the substance of what had gone on. He indicated at one point that if we were concerned about our name coming into the hearings the most helpful thing we could do was to turn the Long Committee off from their inquiry into the Bureau of Narcotics' radio surveillance activities.

The meeting ended on a fairly cold note with the writer asking Mr. Giordano to keep him informed of any developments in the matter that might take place which would involve the Agency.

The writer's general impression was that Mr. Giordano was at least for the moment, a very harassed individual, who was annoyed, concerned, and irritated about the Long Committee and its activities and that he was not a man in whom the writer would place a great deal of trust or reliance in any sensitive or delicate matter.

IV. FOURTH MEETING

When the writer returned from the Giordano meeting he informed the ADDP who, after a discussion with the Director, scheduled another meeting which was held on Wednesday, January 25, with Mr. Smith to fill him in on what we now knew to be the central point in the Treasury Department's concern about the possible Long Committee investigation of the Bureau of Narcotics. The meeting was a friendly one, was held in Mr. Smith's office, and concerned the relating to Mr. Smith of a previous arrangement we had had with the Bureau of Narcotics. He was told that for ten years we had had an arrangement whereby we passed a sum of money to at first one, and later two, senior officials of the Bureau of Narcotics for the purpose of maintaining a safe apartment in which the Bureau of Narcotics' operations were conducted. As we understood the arrangement, the Bureau of Narcotics was able to afford and equip a "pad" in a manner in which their normal budget would not permit. Mr. Smith was also told that we understood that these premises were used for normal routine narcotics operations and that we have heard that some of their very important cases had been run in these "pads". In return for our contribution we obtained information from the Bureau

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of Narcotics on informant behavior coming out of their operations in these premises, which was of obvious interest to us in connection with our own investigative work. We passed on to Mr. Smith the information acquired from Mr. Giordano that electronic equipment had been purchased to equip these premises without our knowledge. We indicated to him that we probably would not have objected, even had we been asked, since we would have assumed that it was part of the Bureau's normal operations. Mr. Smith was told that these arrangements had been terminated about two years ago and we suggested to him that, if they decide to include the equipment in their accounting to the Long Committee, it be represented as used in exactly the way it was with no reference to our Agency. Mr. Smith inquired as to whether there was any recording of this transfer of funds that the Long Committee could get at. Our answer was that the only records of these funds were those we kept. The meeting ended on a cordial note with Mr. Smith promising to get in touch with us if he needed further help and if it looked as though the Agency were going to get further involved in this matter.

Original signed by
[redacted]
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Technical Services Division

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